

31291

SERVICE DATE - SEPTEMBER 25, 2000

EB

FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

[STB Ex Parte No. 634]

Consolidated Railroad Reporting

AGENCY: Surface Transportation Board

ACTION: Proposal to Require Consolidated Financial Reporting by Commonly  
Controlled Railroads

SUMMARY: The Board intends, consistent with Financial Accounting Standards Board  
(FASB) Statement No. 94, to require consolidated reporting by commonly controlled  
U.S. railroads and their U.S. railroad-related affiliates.

DATES: Carriers and other interested parties may submit comments by October 25,  
2000.

ADDRESSES: An original plus 10 copies of all comments, referring to STB Ex Parte No.  
634, must be sent to: Surface Transportation Board, Office of the Secretary, Case Control  
Unit, Attn: STB Ex Parte No. 634, 1925 K Street, N. W., Washington, DC 20423-0001.

In addition, parties must submit to the Board, on 3.5-inch IBM-compatible floppy  
diskettes (in, or convertible by and into, WordPerfect 9.0 format), an electronic copy of  
each such paper document. The diskettes shall be clearly labeled with the filer's name  
and the docket number of this proceeding, STB Ex Parte No. 634. Any party may seek a  
waiver from the electronic submission requirement.<sup>1</sup>

---

<sup>1</sup>/ Documents transmitted by facsimile (FAX) or electronic mail (e-mail) will not be  
(continued...)

Copies of the written comments will be available from the Board's contractor, Dā -To-Dā Office Solutions, 1925 K Street, NW, Room 405, Washington, D. C. 20423-0001, phone (202) 466-5530. The comments will also be available for viewing and self copying in the Board's Microfilm Unit, Room 755. All pleadings submitted will be posted on the Board's website ([www.stb.dot.gov](http://www.stb.dot.gov)).

FOR FURTHER INFORMATION CONTACT: Paul A. Aguiar, (202) 565-1527.

[Assistance for the hearing impaired is available through TDD services: 1-800-877-8339]

SUPPLEMENTARY INFORMATION: FASB is the organization responsible for the development of financial accounting standards. FASB issues statements of financial accounting standards that provide guidance on proper accounting procedures.<sup>2</sup> Those pronouncements typically become "Generally Accepted Accounting Principles" or "GAAP." The Board, like most regulatory agencies, generally follows GAAP.

FASB No. 94, Consolidation of All Majority-owned Subsidiaries, which was issued in 1987, requires the preparer of financial statements to use consolidated reporting for all majority-owned subsidiaries unless control is temporary or does not rest with the majority owner. In Supplemental Reporting of Information for Revenue Adequacy, 5 I.C.C.2d 65 (1988) (Supplemental Reporting), our predecessor, the Interstate Commerce Commission (ICC), required railroads to use consolidated reporting for all

---

1/(...continued)  
accepted.

2/ FASB statements can be obtained by contacting the FASB of the Financial Accounting Foundation at 401 Merritt 7, P.O. Box 5116, Norwalk, Connecticut 06856-5116. Information about FASB statements can be found on the internet at: <http://www.rutgers.edu/accounting/raw/fasb>.

railroad and railroad-related activities in conformance with GAAP for “revenue adequacy” purposes.<sup>3</sup> While Supplemental Reporting was primarily concerned with gathering data for the annual railroad revenue adequacy determination, the ICC did not specifically limit adoption of consolidated reporting to only that issue. However, as a practical matter, over the past decade that decision has been interpreted to require mandatory consolidated reporting only for Annual Report Form R-1, Schedule 250 (related to revenue adequacy filings), and to permit — but not require — consolidated reporting for other R-1 schedules and reports filed with the agency.<sup>4</sup>

We believe that we should adopt FASB No. 94 (with some modifications) and require reporting of all railroad and railroad-related activities on a consolidated basis for all regulatory purposes. We believe that consolidated data would provide more meaningful and accurate information on major rail systems operating in the United States. Indeed, consolidated financial statements are generally recognized as being more meaningful than the separate statements of affiliated companies. Furthermore, adherence to FASB No. 94 for all regulatory reporting purposes would be in keeping with our general policy of following GAAP unless such procedures are inconsistent with our regulatory requirements.

Certain modifications to FASB No. 94 would seem to be appropriate for our use, however. FASB No. 94 generally requires consolidated reporting for all majority-owned

---

<sup>3/</sup> The STB is required by statute to “annually determine which rail carriers are earning adequate revenues.” 49 U.S.C. 10704(a)(3).

<sup>4/</sup> See 49 CFR Part 1201 Instruction 1-9(f).

subsidiaries,<sup>5</sup> whether or not operating in the United States. For our regulatory reporting purposes, however, we would require consolidated reports for only the activities of commonly controlled U.S. railroads and their U.S. railroad-related affiliates.<sup>6</sup> We would not expect data on non-U.S. railroads and on non-railroad related operations to be included in consolidated reports filed with the Board.<sup>7</sup> Parties may comment on this issue, and on whether there are situations in which railroads under common control ought not to be required to report on a consolidated basis (for example, where the railroads under common control have no connection with one another except for a common parent).

We propose to require all railroads to follow FASB No. 94 standards in their reporting and to file reports on a consolidated basis, beginning with calendar year 2001 operations. This approach could change the “classification” status of some railroads,<sup>8</sup> whose revenues would be combined with the revenues of their corporate siblings to

---

<sup>5</sup>/ Under GAAP, consolidated reporting is required when an entity has greater than 50 percent (direct or indirect) ownership of an affiliate.

<sup>6</sup>/ An affiliate is considered rail-related if it could not exist but for the revenues derived from, or support provided for, railroad operations. See Supplemental Reporting, 5 I.C.C.2d at 67-68.

<sup>7</sup>/ Indeed, when non-railroad-related activities are included in carrier reports to facilitate complete disclosure, the non-railroad-related activities should be segregated and the information reported separately.

<sup>8</sup>/ Railroads are classified according to their revenues. A Class I railroad is one that has annual revenues of at least \$250 million, as indexed for inflation. A Class II railroad has inflation-adjusted annual revenues between \$20 million and \$250 million. And a Class III railroad has inflation-adjusted revenues below \$20 million. See 49 CFR 1201, General Instruction 1-1.

determine whether the railroads that are part of the commonly controlled families should be classified as Class I, Class II, or Class III.<sup>9</sup>

Carriers and other interested parties have 30 days following the issuance of this notice to submit comments regarding this proposal. After considering the comments, we will decide whether use of the FASB No. 94 standards will be mandated for all railroad reporting.<sup>10</sup>

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

Decided: September 18, 2000.

By the Board, Chairman Morgan, Vice Chairman Burkes, and Commissioner Clyburn.

Vernon A. Williams

Secretary

---

<sup>9/</sup> The parent of the commonly controlled railroads, whether that parent is a railroad or non-railroad, would be required to file consolidated financial reports. See 49 U.S.C. 721(b) (authorization for the collection of data from persons controlling a carrier). And if a family of carriers were to attain Class I status, it would be required to follow the Uniform System of Accounts (49 CFR Part 1201) and to file a variety of reports (49 CFR Part 1241-1248).

<sup>10/</sup> Some Class I railroads currently file consolidated reports with the STB.